NOTICE OF CONFIDENTIALITY RIGHTS: IF YOU ARE A NATURAL PERSON, YOU MAY REMOVE OR STRIKE ANY OR ALL OF THE FOLLOWING INFORMATION FROM ANY INSTRUMENT THAT TRANSFERS AN INTEREST IN REAL PROPERTY BEFORE IT IS FILED FOR RECORD IN THE PUBLIC RECORDS: YOUR SOCIAL SECURITY NUMBER OR YOUR DRIVER'S LICENSE NUMBER.

Producers 88 (4-89) — Paid Up With 640 Acres Pooling Provision STANDARD LEASE W/ OPTION v.3

# PAID UP OIL AND GAS LEASE

(No Surface Use)

whose address is 15.25 Reduced To Fort Worth Allesson, and DALE PROPERTY SERVICES, LL.C.  2100 Ross Avenue, Suite 1870 Dallas Texas 75201 as Lessee. All printed portions of this lesses were prepared by it party hereinabove named as Lessee, but all other provisions (including the completion of blank spaces) were prepared join by Lessor and Lessee.  1. In consideration of a cash bonus in hand paid and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following descrit and, hereinaffer calied leased premised and and and and the covenants herein contained, Lessor hereby grants, leases and lets exclusively to Lessee the following descrit and, hereinaffer calied leased premised.  2.15 ACRES OF LAND, MORE OR LESS, BEING Block 2. Lot 11, OUT OF THE COURTY DESCRIBED BY METES AND BOUNT NOT THE COUNTY, TEXAS.  3.15 ACRES OF LAND, MORE OR LESS, BEING Block 2. Lot 11, OUT OF THE COUNTY, TEXAS.  3.16 THE PLAT RECORDS DIN VOLUME A. PAGE 55 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  3.17 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  4.18 THE COUNTY, TEXAS.  4.19 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  5.19 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  5.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  5.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  5.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  5.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  6.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  6.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  7.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  8.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  8.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  8.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECORDS OF TARRAN COUNTY, TEXAS.  9.10 OF THE PLAT RECO	THIS LE	ASE AGREE いし うごんし	MENT is	<b>ma</b> de	this ખાંક્ટ	<u> </u>	day	 <u>ن of ب</u> Sti	Tuly	<del></del> -	, 2008,	bу	and	betwee
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3. Royalties on oil, gas and other substances produced and saved hereunder shall be paid by Lessee to Lessor as follows: (a) For oil and other liquid hydrocarboseparated at Lessee's separator facilities, the royalty shall be Twenty Five Percent (25)% of such production, to be delivered at Lessee's option to Lessor at wellthead or to Lessor's credit at the oil purchaser's transportation facilities, provided that Lessee shall have the continuing right to purchase such production at the wellth market price then prevailing in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which there is such a prevailing price) production of similar grade and gravity; (b) for gas (including casing head gas) and all other substances covered hereby, the royalty shall be Twenty Five Percent (25) of the proceeds realized by Lessee from the sale thereof, less a proportionate part of ad valorem taxes and production, severance, or other excise taxes and the costs incurred Lessee in delivering, processing or otherwise marketing such gas or other substances, provided that Lessee shall have the continuing right to purchase such production at its provided market price paid for production of similar quality in the same field (or if there is no such price then prevailing in the same field, then in the nearest field in which tessee commences purchases hereunder, and (c) if at the end of the primary term or any time thereather one or more wells on the lessed premises or lands pooled therewith are capable of either or a period of 90 consecutive days such well or wells shall nevertheless be deemed to be producing in paying quantities for the purpose of maintaining this lease or a period of 90 consecutive days such well or wells shall nevertheless be deemed to be producing in paying quantities or the purpose of maintaining this lease she here of 90 consecutive days such well or wells shall nevertheless be deemed to be producing in paying quantities or the purpose of maintaining this lease	gas or other substa	inces covered hereby	are produced in	paying qu	uantities fron	the leased p	remises o	r from lan	ds pooled th	erewith or	this lease is	otherwi	ise maint	ained in effe
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4. All shut-in royalty payments under this lease shall be paid or tendered to Lessor or to Lessor's credit in at lessor's address above or its successors, when shall be Lessor's depository agent for receiving payments regardless of changes in the ownership of said land. All payments or tenders may be made in currency, or by check by draft and such payments or tenders to Lessor or to the depository by deposit in the US Mails in a stamped envelope addressed to the depository or to the Lessor at the leadedress known to Lessee shall constitute proper payment. If the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept the succeeded payments. It is the depository should liquidate or be succeeded by another institution, or for any reason fail or refuse to accept the succeeded for in Paragraph 3, above, if Lessee a proper recordable instrument naming another institution as depository agent to receive payments.  5. Except as provided for in Paragraph 3, above, if Lessee drills a well which is incapable of producing in paying quantities (hereinafter called "dry hole") on the lease premises or lands pooled therewith, or if all production (whether or not in paying quantities) permanently ceases from any cause, including a revision of unit boundaries pursuant the provisions of Paragraph 6 or the action of any governmental authority, then in the event this lease is not otherwise being maintained in force it shall nevertheless remain force it Lessee commences operations for reworking an existing well or for drilling an additional well or for otherwise obtaining or restoring production. If at the end of the primary term, at any time thereafter, this lease is not otherwise being maintained in force but Lessee is then engaged in drilling, reworking or any other operations reasonably calculated obtain or restore production there from this lease shall remain in force by long as any one or more of such operations are prosecuted with no cessation of more than					MON ON SUCE	operations of	production	n. Lessee	s allore to	brobeill be	ay 300000000	uity one	all relide	LUBBLO HOL
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consecutive days, and if any such operations result in the production of oil or gas or other substances covered hereby, as long thereafter as there is production in paying quantities from the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities hereunder, Lessee shall drill such additional wells on the leased premises or lands pooled therewith. After completion of a well capable of producing in paying quantities on the leased premises or lands pooled therewith, or (b) to protect the leased premises from uncompensated drainage by any well or wells located on other lands not pooled therewith. There shall be no covenant to drill exploratory wells or any additional wells except as expressly provided herein.

6. Lessee shall have the right but not the obligation to pool all or any part of the leased premises or interest therein with any other lands or interests, as to any or all depths or zones, and as to any or all substances covered by this lease, either before or after the commencement of production, whenever Lessee deems it necessary or proper to do so in order to prudently develop or operate the leased premises, whether or not similar pooling authority exists with respect to such other lands or interests. The unit formed by such pooling for an oil well which is not a horizontal completion shall not exceed 640 acres plus a maximum acreage tolerance of 10%; provided that a larger unit may be formed for an oil well or gas well or horizontal completion is conform to any well spacing or density pattern that may be prescribed or permitted by any governmental authority, or, if no definition is so prescribed, 'oil well' means a well with an initial gas-oil ratio of 100,000 cubic feet per barrel and 'gas well' means as well with an initial gas-oil ratio of record a written declaration describing the unit and stating the effective date of record a written declaration describing the unit and stating the effective date of production in order to conform to the well

7. If Lessor owns less than the full mineral estate in all or any part of the leased premises, the royalties and shut-in royalties payable hereunder for any well on any part of the leased premises or lands pooled therewith shall be reduced to the proportion that Lessor's interest in such part of the leased premises bears to the full mineral estate in such part of the leased premises.

of the leased premises

st of either Lessor or Lessee hereunder may be assigned, devised or otherwise transferred in whole or in part, by area and/or by depth or zone, and the rights and obligations of the parties hereunder shall extend to their respective heirs, devisees, executors, administrators, successors and assigns. No change in Lessor's ownership shall have the effect of reducing the rights or enlarging the obligations of Lessee hereunder, and no change in ownership shall be binding on Lessee until 60 days after Lessee has been furnished the original or certified or duly authenticated copies of the documents establishing such change of ownership to the satisfaction of Lessee or until Lessor has satisfied the notification requirements contained in Lessee's usual form of division order. In the event of the death of any person entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to the credit of decedent or decedent's estate in the depository designated above. If at any time two or more persons are entitled to shut-in royalties hereunder, Lessee may pay or tender such shut-in royalties to such persons or to their credit in the depository, either jointly or separately in proportion to the interest which each owns. If Lessee transfers its interest hereunder in whole or in part Lessee shall be relieved of all obligations thereafter arising with respect to the transferred interest, and failure of the transferred to satisfy such obligations with respect to the transferred interest shall not affect the rights of Lessee with respect to any interest not so transferred. If Lessee transfers a full or undivided interest in all or any portion of the area covered by this lease, the obligation to pay or tender shut-in royalties hereunder shall be divided between Lessee and the transferee in proportion to the net acreage interest in this lease then held by each.

9. Lessee may, at any time and from time to time, deliver to Lessor or file of record a written release of this lease as to a full or undivided interest in all or any portion of the area covered by this lease or any depths or zones there under, and shall thereupon be relieved of all obligations thereafter arising with respect to the interest so released. If Lessee releases all or an undivided interest in less than all of the area covered hereby, Lessee's obligation to pay or tender shut in royalties shall be proportionately reduced in

accordance with the net acreage interest retained hereunder.

10. In exploring for, developing, producing and marketing oil, gas and other substances covered hereby on the leased premises or lands pooled or unitized herewith, in primary and/or enhanced recovery, Lessee shall have the right of ingress and egress along with the right to conduct such operations on the leased premises as may be reasonably necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, necessary for such purposes, including but not limited to geophysical operations, the drilling of wells, and the construction and use of roads, canals, pipelines, tanks, water wells, disposal wells, injection wells, pits, electric and telephone lines, power stations, and other facilities deemed necessary by Lessee to discover, produce, store, treat and/or transport production. Lessee may use in such operations, free of cost, any oil, gas, water and/or other substances produced on the leased premises except water from Lessor's wells or ponds. In exploring, developing, producing or marketing from the leased premises or lands pooled therewith, the ancillary rights granted herein shall apply (a) to the entire leased premises described in Paragraph 1 above, notwithstanding any partial release or other partial termination of this lease; and (b) to any other lands in which Lessor now or hereafter has authority to grant such rights in the vicinity of the leased premises or lands pooled therewith. When requested by Lessor in writing, Lessee shall bury its pipelines below ordinary plow depth on cultivated lands. No well shall be located less than 200 feet from any house or barn now on the leased premises or other lands used by Lessee hereunder, without Lessor's consent, and Lessee shall pay for damage caused by its operations to buildings and other improvements now on the leased premises or such other lands, leased commercial timber and materials, including well casing from the leased commercial timber and growing crops thereon. Lessee shall have the right at any time to remove its fixtures, equipment and materials, including well casing, from the leased premises or such other lands during the term of this lease or within a reasonable time thereafter.

premises or such other lands during the term of this lease or within a reasonable time thereafter.

11. Lessee's obligations under this lease, whether express or implied, shall be subject to all applicable laws, rules, regulations and orders of any governmental authority having jurisdiction including restrictions on the drilling and production of wells, and the price of oil, gas, and other substances covered hereby. When drilling, reworking, production or other operations are prevented or delayed by such laws, rules, regulations or orders, or by inability to obtain necessary permits, equipment, services, material, water, electricity, fuel, access or easements, or by fire, flood, adverse weather conditions, war, sabotage, rebellion, insurrection, riot, strike or labor disputes, or by inability to obtain a satisfactory market for production or failure of purchasers or carriers to take or transport such production, or by any other cause not reasonably within Lessee's control, this lease shall not terminate because of such prevention or delay, and at Lessee's option, the period of such prevention or delay shall be added to the term hereof. Lessee shall not be liable for breach of any express or implied covenants of this lease when drilling, production or other operations are so prevented, delayed or interrupted.

12. In the event that Lessor, during the primary term of this lease and covering all or a portion of the land described berein with the lease becoming effective upon expiration of lease and covering all or a portion of the land described berein with the lease becoming effective upon expiration of

a lease covering any or all of the substances covered by this lease and covering all or a portion of the land described herein, with the lease becoming effective upon expiration of this lease, Lessor hereby agrees to notify Lessee in writing of said offer immediately, including in the notice the name and address of the offeror, the price offered and all other pertinent terms and conditions of the offer. Lessee, for a period of fifteen days after receipt of the notice, shall have the prior and preferred right and option to purchase the lease or part thereof or interest therein, covered by the offer at the price and according to the terms and conditions specified in the offer.

13. No litigation shall be initiated by Lessor with respect to any breach or default by Lessee hereunder, for a period of at least 90 days after Lessor has given Lessee written notice fully describing the breach or default, and then only if Lessee fails to remedy the breach or default, within such period. In the event the matter is litigated and there is a final judicial determination that a breach or default has occurred, this lease shall not be forfeited or canceled in whole or in part unless Lessee is given a reasonable time after said

judicial determination that a breach or default and Lessee fails to do so.

14. For the same consideration recited above, Lessor hereby grants, assigns and conveys unto Lessee, its successors and assigns, a perpetual subsurface well bore easement under and through the leased premises for the placement of well bores (along routes selected by Lessee) from oil or gas wells the surface locations of which are situated on other tracts of land and which are not intended to develop the leased premises or lands pooled therewith and from which Lessor shall have no right to royalty or other benefit. Such subsurface well bore easements shall run with the land and survive any termination of this lease.

15. Notwithstanding anything contained to the contrary in this lease, Lessee shall not have any rights to use the surface of the leased premises for drilling or other

operations.

16. Lessor, and their successors and assigns, hereby grants Lessee an option to extend the primary term of this lease for an additional period of <u>Two</u> (2) years from the end of the primary term by paying or tendering to Lessor prior to the end of the primary term the same bonus consideration, terms and conditions as granted for this lease.

DISCLAIMER OF REPRESENTATIONS: Lessor acknowledges that oil and gas lease payments, in the form of rental, bonus and royalty, are market sensitive and may vary depending on multiple factors and that this Lease is the product of good faith negotiations. Lessor understands that these lease payments and terms are final and that Lessor entered into this lease without duress or undue influence. Lessor recognizes that lease values could go up or down depending on market conditions. Lessor acknowledges that no representations or assurances were made in the negotiation of this lease that Lessor would get the highest price or different terms depending on future market conditions. Neither party to this lease will seek to alter the terms of this transaction based upon any differing terms which Lessee has or may negotiate with any other lessors/oil and gas owners.

IN WITNESS WHEREOF, this lease is executed to be effective as of the date first written above, but upon execution shall be binding on the signatory and the signatory's heirs, devisees, executors, administrators, successors and assigns, whether or not this lease has been executed by all parties hereinabove named as Lessor.

SEE EXHIBIT "A" ATTACHED HERETO AND BY REFERENCE MADE A PART HEREOF

LESSOR (WHETHER ONE OR MORE)
Signature: 200 MA Signature: Lesly Subastian
Printed Name: Michael W. Sebastian Printed Name: Lesley Sebastian
ACKNOWLEDGMENT
STATE OF TEXAS  COUNTY OF TARRANT  11 To Marketian +
This instrument was acknowledged before me on theday of, 2008, by
Destry Sepastier
Notary Public, State of Texas Notary's name (printed):
Notary's commission expires:  CALEB WARD  Notary Public, State of Texas  My Commission Expires
May 16, 2012 ACKNOWLEDGMENT
STATE OF TEXAS
COUNTY OF TARRANT This instrument was acknowledged before me on theday of, 2008, by

#### EXHIBIT "A"

Attached to and made a part of the Oil, Ga	s and Mineral Lease dated July 11	, 2008 between Dale Property Services, LLC, as
Lessee, and Michael W. Sebastian	and wife Lestey Seba	577AM .a.
Lessor; WITNESSETH:		,

- (17) NO DEDUCTIONS. Lessee agrees that all royalties accruing under this lease (including those paid in kind) shall be without deduction for the cost of producing, gathering, storing, separating, treating, dehydrating, compressing, processing, transporting, and otherwise making the oil, gas and other products hereunder ready for sale or use. Lessee agrees to compute and pay royalties on the gross value received, including any reimbursements for severance taxes and production related costs. If the Lessee sells gas to a company in which Lessee owns an interest, legal or beneficial, or any company of which it is a subsidiary or parent company, Lessee agrees to pay Lessor for Lessors share of the gas based on the highest price being paid in the general area for gas of similar quality if that amount exceeds the amount paid to Lessee. On non-recoupable proceeds or benefits received by Lessee, such as for take-or-pay, reserves dedication or any other benefits received by the Lessee, Lessee agrees to pay Lessor twenty-five percent (25%) of the proceeds and/or benefits received by the Lessec, its successors and assigns. If the products subject to this lease are enhanced, by any method, and the Lessee, a subsidiary, parent or affiliate of Lessee receive additional benefits, due to the enhancement, Lessor shall receive twenty-five percent (25%) thereof. However, any such costs which result in enhancing the value of the of the marketable oil, gas or other products to receive a better price may be deducted from Lessor's share of production as long as they are based on Lessee's actual cost of such enhancements. In no event shall Lessor receive a price that is less than, or more than, the price received by Lessee from an unaffiliated third party purchaser. Lessee is obligated to treat Lessor with utmost good faith and keep the Lessor whole.
- (18) <u>SHUT IN ROYALTIES</u>. Notwithstanding anything contained herein to the contrary, the shut-in royalty shall be \$25.00 per acre. After the end of the primary term, this lease may not be maintained in force solely by reason of the shut-in royalty payments, as provided heretofore, for any one shut-in period of more than two (2) consecutive years.
- (19) <u>TERMINATION</u>. At the end of the primary term of this lease or upon the cessation of any drilling operations being conducted at the end of the primary term on the leased premises or on land pooled therewith, this lease shall terminate automatically as to all of the mineral estate lying more than 100' below the base of the Barnett Shale Formation.
- (20) <u>FORCE MAJEURE</u>. If, after a good faith effort, Lessee is prevented from complying with any express or implied covenant of this lease, from conducting drilling operations on the leased premises, or from producing oil and gas from the leased premises by reason of war, rebellion, riots, strikes, or acts of God, then while so prevented, Lessee's obligation to comply with such covenants shall be suspended and Lessee shall not be liable for damages for failure to comply with such covenants; additionally, this lease shall be extended while Lessee is prevented, by any such cause, from conducting drilling and reworking operations or from producing oil or gas from the leased premises. However, nothing in this paragraph shall suspend the time for payment of royalties, shut-in royalties or any other monetary payments due and payable to Lessor under this lease.
- (21) BREACH OF CONTRACT. In the event Lessor considers that Lessee has not complied with its obligation hereunder, both express and implied, Lessor shall notify Lessee in writing, setting out specifically in what respects Lessee has breached this contract. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by Lessor. The service of said notice shall be precedent to the bringing of any action by Lessor against Lessee for any cause, and no such action shall be brought until sixty (60) days after service of such notice on Lessee. Neither the service of said notice nor the doing of any acts by Lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that Lessee has failed to perform all its obligations hereunder.
- (22) NO WARRANTIES. Notwithstanding any provision in the Form to the contrary, Lessor makes no warranty of any kind with respect to title to the Land. By acceptance of this Lease, Lessee acknowledges that it has been given full opportunity to investigate and has conducted sufficient investigation to satisfy itself as to the title to the Land, and Lessee assumes all risk of title failures. If Lessor owns an interest in the Land less than the entire fee simple estate, then the royalties payable hereunder shall be reduced proportionately. Lessee, as its option, may discharge any tax, mortgage, or other lien on the Land, and in the event Lessee does so, Lessee will have the option to apply the royalties accruing to Lessor toward payment of it.
- (23) <u>INDEMNITY</u>. Lessee agrees to indemnify and hold harmless Lessor, and Lessor's representatives, successors, and assigns against all expenses, claims, demands, liabilities, and cause of action of any nature for injury to or death of persons and loss or damage to property, including, without limitation, reasonable attorney fees, expert fees, and court costs, caused by Lessee's operations on the land or Lessee's marketing of production from the land or any violation of any environmental requirements by Lessee. As used in this paragraph, the term "Lessee" includes Lessee, its agents, employees, servants, contractors, and any other persons acting under its direction and control, and its independent contractors.

In the event of a conflict between the terms of this addendum and the terms of the printed form lease, the terms of this addendum shall control.



### DALE RESOURCES 3000 ALTA MESA BLVD # 300

FT WORTH

TX 76133

Submitter: DALE RESOURCES LLC

### SUZANNE HENDERSON TARRANT COUNTY CLERK TARRANT COUNTY COURTHOUSE 100 WEST WEATHERFORD FORT WORTH, TX 76196-0401

## <u>DO NOT DESTROY</u> WARNING - THIS IS PART OF THE OFFICIAL RECORD.

Filed For Registration: 07/22/2008 10:53 AM Instrument #: D208284519

LSE 4 PGS \$24.00

ANY PROVISION WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

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